

RECEIVED

OCT 30 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

1

1

1

i

i

i

1

1

1

1

COMMENTS OF MCI WorldCom, Inc.

October 30, 1998

No. of Copies rec'd.
List A B C D E

List A B C D E

I. Summary

MCI WorldCom, Inc. (MCI WorldCom) supports the proposal to utilize a single reporting worksheet on the condition that no changes determining carrier contributions to TRS, USF, NANP, and LNP funds result, and that current levels of confidentiality are retained. Since the Commission failed to submit notice of possible rule changes into the TRS,¹ USF,² NANP,³ and LNP⁴ dockets it may not adopt any requirements in this reporting docket that have the effect of altering policy decisions made (or in the case of LNP under reconsideration) in other dockets. The proposals made in this docket that would change policies pertaining to TRS, USF, NANP, and LNP contributions may be considered only after appropriate notice is placed in the dockets governing these funds. The Commission cannot, through a change in a reporting requirement, alter fundamental policy decisions concerning how carriers pay into these funds. Any MCI WorldCom support for Commission proposals made in this docket are conditioned on the Commission following appropriate administrative procedures. In the event the Commission does implement changes that would alter carrier fund contributions it should adopt the net revenue approach to calculate carrier contributions.

MCI WorldCom is skeptical that the proposed changes will reduce reporting costs and urges the Commission to take concrete steps to ensure that short term costs implementing changes are minimal and long term savings promise to be significant. In this regard, MCI

¹CC Docket 90-571.

²CC Docket 96-45.

³CC Docket 92-237.

⁴CC 95-116.

WorldCom does not oppose the establishment of an electronic filing system, but urges the Commission to do so efficiently. MCI WorldCom is concerned that the Commission believes this will require cost increases that are significant enough to modify the contracts of fund administrators. MCI WorldCom has already devoted significant resources to existing reporting requirements. Additional changes at this point will only add to our costs.

II. Introduction

The Commission initiated this Notice of Proposed Rulemaking and Notice of Inquiry as part of its 1998 biennial review of regulations as required by Section 11 of the Communications Act.⁵ Section 11 of the Act requires the Commission to determine whether any rule is no longer in the public interest as the result of meaningful economic competition between providers of telecommunications service.⁶

Foremost among the Commission's proposed actions, is its proposal to unify filing requirements associated with the separately administered Telecommunications Relay Services (TRS) Fund,⁷ federal universal service support mechanisms (USF Fund),⁸ the cost recovery mechanism for the North American Numbering Plan (NANP) administration,⁹ and the cost

⁵47 U.S.C. § 161. The Communications Act of 1934, as amended, (the Communications Act or the Act) is codified at 47 U.S.C. §§ 151 *et seq.*

⁶47 U.S.C. § 161. *See also 1998 Biennial Review of FCC Regulations Begun Early*, FCC News Release (rel. Nov. 18, 1997); *FCC Staff Proposes 31 Proceedings as Part of 1998 Biennial Regulatory Review*, Report No. GN 98-1 (rel. Feb. 5, 1998).

⁷47 C.F.R. §§ 64.601 *et seq.*

⁸47 C.F.R. §§ 54.1 *et seq.*, 69.1 *et seq.*

⁹47 C.F.R. §§ 52.1 *et seq.*

recovery mechanism for long-term local number portability (LNP) administration.¹⁰ This unified reporting form would be called the Telecommunications Reporting Worksheet. The Commission contends that adopting this worksheet will reduce carriers' costs of complying with its rules as well as reduce Commission staff resources associated with auditing and cross-checking data submissions.¹¹

The Commission proposes several additional actions it believes will reduce regulatory costs, including: 1) requiring carriers to designate their agents for service of process in the Telecommunications Reporting Worksheet; 2) permitting carriers not seeking confidential treatment, to report the value of their gross communications plant on the Telecommunications Reporting Worksheet; 3) authorizing administrators of the TRS, USF, NANP, and LNP fund administrators to share confidential information; and 4) requiring fund administrators to provide electronic filing of the consolidated Telecommunications Reporting Worksheet.

III. NPRM

A. The Commission May Not Adopt Requirements that Change Rules in Other Dockets

In this docket the Commission proposes changes to the way in which contributions to TRS, USF, NANP, and LNP will be calculated. The table below summarizes the proposed changes.

¹⁰47 C.F.R. §§ 52.21 *et seq.*

¹¹Notice at ¶1.

Fund	Current	Proposed
Universal Service	<ul style="list-style-type: none"> - Filed March 31 and Sept. 1 - Filed with NECA - Reports end-user revenues 	<ul style="list-style-type: none"> - Filed April 1 - NECA? - Reports end-user revenues
TRS	<ul style="list-style-type: none"> - Filed April 26 - Filed with NECA - Reports net revenues 	<ul style="list-style-type: none"> - Filed April 1 - NECA? - Reports end-user revenues
NANPA	<ul style="list-style-type: none"> - Filed March 12 - Filed with NECA - Reports net revenues 	<ul style="list-style-type: none"> - Filed April 1 - NECA? - Reports end-user revenues
LNP	<ul style="list-style-type: none"> - Date (s) to be determined - Filed with Lockheed - Reports end-user revenues 	<ul style="list-style-type: none"> - Filed April 1 - NECA? - Reports end-user revenues

However, the Commission failed to submit notice of possible rule changes into the dockets that created these funds. Consequently, it may not adopt any requirements in this reporting docket that have the effect of altering policy decisions made (or in the case of LNP under reconsideration) in other dockets.¹² In each of these cases, the fund contribution decisions were the result of extensive comment and careful decision. For example, in the NANP proceeding (CC Docket No. 92-237) over twenty parties commented on the methods the Commission should adopt to cover the costs of the NANPA after the function was transferred from Bellcore. Those commentators were representative not only of the LEC and IXC community, which are directly effected in this reporting docket, but also of wireless carriers, consumer groups, state commission and international NANPA members, (e.g, Canadian Steering Committee on Numbering, Bell Canada) which may or may not be aware of this new reporting proceeding without proper notice

¹²⁵ U.S.C. §553(c) and (e). The Administrative Procedures Act (APA) requires notice and opportunity for comment. In this case, the Commission has failed to provide notice to parties in open dockets in which these funds were created, in violation of the APA.

in the NANP docket. Similarly, the Commission's decision requiring a minimum payment of \$100 for NANP cost recovery was taken after extensive and deliberate effort. All such parties will be effected by the Commission proposed changes - which are clearly more than just administrative. If the Commission intends to alter the revenue collection basis in this docket, the change should be from the end user revenue method to the net revenue method.

B. Data Sharing Will Reduce Administrators' and Carriers' Data Preparation Costs

The Commission notes that a consolidated worksheet can reduce the cost of data entry and verification of data entry accuracy only if the different fund administrators are authorized to share information.¹³ MCI WorldCom agrees, and supports the Commission's proposal to authorize fund administrators to engage in data sharing arrangements, provided that sharing arrangements are limited so as to ensure each administrator receives only that information each needs to administer its fund.

Unfortunately, in today's environment, most of these funds are currently administered by NECA, an entity that is not by any definition competitively neutral. There is no reason why an entity whose purpose is to represent incumbent local exchange carrier (ILEC) interests in access filings, to have easy access to company specific data of ILEC competitors without limitation. Consequently, this proposal does not guarantee that proprietary information will not be made available to an entity that has a vested interest in representing one industry sector. MCI WorldCom also supports the Commission's proposal permitting carriers to classify information as proprietary and requiring that sharing agreements using proprietary data be approved by the Chief

¹³Notice at ¶17.

of the Common Carrier Bureau.¹⁴

C. Implementation of Electronic Filing Must Be Achieved at Minimum Cost and Provide Significant, Measurable, Long Term Benefits

MCI WorldCom urges the Commission to consider carefully whether the savings from an electronic filing system are substantially greater than savings that will be achieved simply by sharing information and spreadsheets containing reported carrier revenues. At present, the record does not show that the development of technically complex electronic filing systems that may, or may not, be used will provide greater savings than simple sharing of information and spreadsheets that carriers may file on disk. In fact, NECA may respond to the requirement to implement an electronic filing system by increasing its administrative costs.¹⁵ MCI WorldCom has already devoted significant resources to ensuring that the Commission's reporting requirements are met. Changes in these requirements impose additional internal costs. We would certainly not want well-intentioned proposals of electronic filing to raise administrative costs to the funds in addition to imposing new costs on the industry.

D. A Consistent Reporting Date Will Reduce Data Collection Costs of Reporting Carriers, Whether or Not a Consolidated Worksheet is Adopted

The Commission contends that a consolidated reporting form will reduce the cost of tracking different financial records, taken from different points in time.¹⁶ MCI WorldCom agrees

¹⁴Notice at ¶58.

¹⁵"We expect that any transition to an electronic filing system would require considerable coordination between the administrators, the telecommunications industry, and the Commission. We note that the technical details of how electronic filing is accomplished can be complex and expensive for both the administrators and reporting carriers." Notice at ¶60.

¹⁶Notice at ¶17.

that having worksheets due at different dates does marginally add to the cost of data tracking and data preparation, since revenues will be reported over different time periods. MCI WorldCom supports having a consistent reporting date across all forms. However, the benefit of a consistent reporting date can be implemented without consolidated worksheets.

E. Cost of Tracking Financial Data Will Not Necessarily Be Reduced as a Result of a Consolidated Worksheet

Requiring a consolidated worksheet will not reduce data collection costs if the data carriers are required to report involves greater collection costs than the data that would have to be tracked, collected, and submitted on separate forms. The Commission believes that the data needed to track and calculate end user revenues is more costly to collect than gross revenues.¹⁷ Tracking end user revenues is also more detailed than net revenues.¹⁸ If the Commission were primarily concerned about reducing carrier's costs of tracking revenue data, yet maintaining a competitively neutral contribution mechanism, it would adopt a net revenue approach for these four funds.

One way the Commission could ensure that consolidated worksheet reduces carrier reporting costs would be to permit carriers to report revenues for the purposes of LNP cost recovery as national revenues, rather than regional revenues.¹⁹ LNP is the only fund that requires regional reporting. If the Commission is seriously interested in establishing a consistent and

¹⁷Notice at ¶38.

¹⁸Net revenues can be calculated from two lines of reported data: gross revenues and payments to other carriers. See, FCC Form 496, lines 3 and 4. By contrast, end user revenues requires 30 separate types of revenue data. See, FCC Form 457, lines 22-49.

¹⁹See Petition for Clarification and Partial Reconsideration, MCI, Telephone Number Portability, CC Docket No. 95-116, RM 8535, July 29, 1998 at 8.

unified reporting mechanism, it should only require carriers to report national revenues for purposes of LNP cost recovery.

F. Carriers' Costs of Preparing Multiple Forms Will Not Necessarily Be Reduced with a Consolidated Form

In its Notice, the Commission justifies a consolidated worksheet on the grounds that it would significantly reduce carriers' costs of data preparation if carriers are not required to submit multiple forms.²⁰ However, as the Commission also notes, since most carriers will be required to contribute to universal service, and since the Commission still requires carriers to file twice a year, a consolidated form will not reduce the frequency of filing.²¹ Similarly, carriers seeking confidential treatment of their section 43.21(c) submissions would still be required to file a separate submission.²²

G. All Funds Require A Competitively Neutral Recovery Method Whether or Not a Consolidated Worksheet is Adopted

The most substantive section in this Notice involves the discussion of a single, competitively neutral, recovery method for the four funds under consideration. MCI WorldCom supports the Commission's desire to establish a single, competitively neutral, recovery method. The Commission noted in its LNP Cost Recovery Order that both the end user revenue method and the net revenue methods were equally competitively neutral. However, the Commission adopted the end user revenue method, arguing that the net revenue approach was less efficient and more complicated than the end user revenue method because IXCs would pass-through

²⁰Notice at ¶30.

²¹Notice at ¶35.

²²Notice at ¶29.

charges associated with ILEC access revenues.²³

MCI WorldCom disagrees that the end user and net revenue methods are equally competitively neutral, and therefore can be changed with little effect to the industry. By making the changes the Commission proposes, (i.e. changing two of the four funds from net, to end user, revenue) the Commission is shifting the costs from one portion of the industry which is regulated — i.e., the monopoly of the ILECs to a highly competitive, price sensitive market — namely the interexchange carriers (IXCs). ILECs will more likely recover their costs for contributing to these funds through regulated rates. IXCs, and other carriers that compete for customers on the other hand, suffer the consequences in the market when it raises its consumer rates and therefore are less likely to recover all their costs of contributing to these funds. If the Commission is reevaluating its recovery mechanisms in light of competitively neutrality, MCI WorldCom strongly urges the Commission to adopt the net revenue recovery method for the four funds under consideration in this docket.

III. NOI

In the NPRM portion of this docket the Commission seeks comment on the costs and benefits of consolidated reporting. As discussed above, MCI WorldCom does not believe that consolidated reporting, in itself, will produce measurable benefits. Identifiable benefits are actually linked with the sharing of information and the consistent application of the net revenue recovery method.

²³“Because the end-user revenue allocator reaches the same result as an allocator based on gross revenues less charges carriers pay to other carriers, but without the inefficiency and added complication of the pass-through step, we prefer the end-user revenues allocator.” Telephone Number Portability, Third Report and Order (LNP Cost Recovery Order), CC Docket No. 95-116, May 5, 1998, ¶109.

The NOI portion of the docket seeks comment on the desirability of having a single billing and collection agent. MCI WorldCom does not believe billing and collection of fund contributions should necessarily be consolidated into the control of a single agent. If one entity is granted the duties of administering all funds in perpetuity, the Commission would eliminate the possibility that other entities will bid and win the right to administer these contracts in the future. The Commission should ensure that fund administration is competitively neutral and efficient. These goals can be accomplished best if contracts for fund administration and collection are granted to entities for a limited time period after winning a competitively bid proposal process. Establishing the opportunity to bid for administration of these funds is the best way to discipline current fund administrators and ensure that funds are administered fairly and efficiently.

IV. Conclusion

For the above-mentioned reasons, MCI WorldCom encourages the Commission to adopt the its recommendations discussed in these Comments.

Respectfully submitted,
MCI WorldCom, Inc.

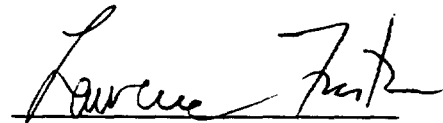
A handwritten signature in black ink, appearing to read "Lawrence Fenster", is written over the typed name.

Lawrence Fenster
MCI WorldCom, Inc.
1801 Pennsylvania Ave., NW
Washington, DC 20006
(202) 887-2180

October 30, 1998

Statement of Verification

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on October, 30, 1998.

A handwritten signature in cursive script, appearing to read "Lawrence Fenster", written over a horizontal line.

Lawrence Fenster
1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006
202-887-2180

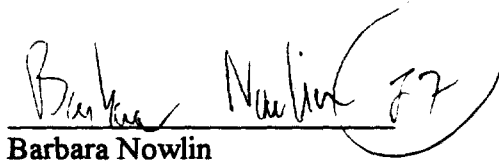
Service List

I, Barbara Nowlin, do hereby certify that a copy of MCI's Comments has been sent by United States first class mail, postage prepaid, hand delivery, to the following parties on this 30th day of October, 1998.

Scott Bergmann*
Industry Analysis Division
Common Carrier Bureau,
2030 M Street, N.W., Room 500
Washington, D.C. 20554.

International Transcription Service*
2100 M Street, NW
Suite 140
Washington, DC 20037

Hand Delivered *


Barbara Nowlin